



Iowa General Assembly

2007 Committee Briefings

Legislative Services Agency – Legal Services Division

<http://www.legis.state.ia.us/asp/Committees/Committee.aspx?id=57>

PUBLIC RETIREMENT SYSTEMS COMMITTEE

Meeting Dates: [December 7, 2007](#) | [October 31, 2007, and November 1, 2007](#)

Purpose. *This compilation of briefings on legislative interim committee meetings and other meetings and topics of interest to the Iowa General Assembly, written by the Legal Services Division staff of the nonpartisan Legislative Services Agency, describes committee activities or topics. The briefings were originally distributed in the Iowa Legislative Interim Calendar and Briefing. Official minutes, reports, and other detailed information concerning the committee or topic addressed by a briefing can be obtained from the committee's Internet page listed above, from the Iowa General Assembly's Internet page at <http://www.legis.state.ia.us>, or from the agency connected with the meeting or topic described.*

PUBLIC RETIREMENT SYSTEMS COMMITTEE

December 7, 2007

Co-chairperson: Senator Mike Connolly

Co-chairperson: Representative Pam Jochum

Overview. The Public Retirement Systems Committee received testimony on the most recent actuarial reports for the Peace Officers' Retirement System (PORS) and the Iowa Public Employees' Retirement System (IPERS), on recent public retirement system trends, and on the state's deferred compensation program—the retirement investors' club. The Committee also made recommendations to the General Assembly.

Recommendations. The Public Retirement Systems Committee made the following recommendations:

1. IPERS should be maintained as a core defined benefit plan but IPERS should be encouraged to continually study and assess options that complement the core defined benefit plan to better recruit and retain public employees.
2. The Senate and House Committees on Appropriations and the Joint Appropriations Subcommittee on the Justice System should fully fund the judicial branch request for state contributions to the judicial retirement system or at least provide a state contribution to the judicial retirement system at the statutory rate of at least 23.7 percent of payroll.
3. The Senate and House Committees on State Government should consider legislation which would include the following proposals:
 - a. Municipal Fire and Police Retirement System (MFPRSI)
 - The current cap on state contributions to MFPRSI should be removed, thereby providing for a yearly state contribution to the system of 3.79 percent of payroll.
 - Overtime should be included in earnable compensation if the cost is not significant.
 - Employees covered by MFPRSI should be provided choice of doctor when injured on the job and in need of medical assistance.
 - b. Peace Officers' Retirement System (PORS)
 - Modify language governing the designation of the medical board for the system to match language provided for in MFPRSI.
 - Provide that accidental disability benefits cease if the member becomes employed in another public safety occupation.
 - Eliminate references to multiple retirement funds in the Code to reflect that only one retirement fund exists.
 - Allow the PORS board of trustees to select the actuarial method used by the system.
 - Provide for a \$5 million appropriation increase per year to the system for 12 years and an increase in the state's contribution percentage from 17 percent of payroll by 2 percentage points per year to a maximum

of 27 percent. A higher state contribution shall be maintained until the fund is actuarially sound.

- A member of the system who was in service under MFPRSI prior to January 1992 and not eligible for a transfer of that service to PORS should receive credit for that service under PORS at no cost to the member. A state appropriation of \$50,000 should be made to the system to assist in funding the cost of this credit.

c. Iowa Public Employees' Retirement System (IPERS)

- Allow IPERS to adjust the employer and employee contribution rates for members in regular service on an actuarial basis with yearly changes limited to one half a percentage point.
- Eliminate bonuses and allowances from the definition of covered wages.
- Forego implementation of major plan design changes in IPERS during FY 2008-2009 while the system upgrades benefits administration technology.
- Eliminate the statutory cap on investment management expenses.
- Allow all public hospital employees, not just licensed health care professionals, to return to full-time work within one month of retirement and not lose retirement benefits.
- Allow a credit for the cost of purchasing prior service equal to the amount of the member's employer's contributions plus interest that were not paid when the member received a refund, prior to July 1, 1998, for that service.
- Create a new special service category for county attorneys and assistant county attorneys with benefits commensurate with the protection occupation category. Allow service as a county attorney or assistant county attorney prior to the creation of this new category to be credited as service under the new special category.
- Include county jailers, Iowa National Guard installation security officers, emergency medical services providers, and Polk County attorney special investigators in the protection occupation category.

4. Legislative subcommittees assigned legislation in 2007 on substantive proposals affecting public retirement systems not otherwise recommended by the Committee for inclusion in proposed legislation should continue to examine that legislation during the 2008 session.

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PUBLIC RETIREMENT SYSTEMS COMMITTEE

October 31, 2007, and November 1, 2007

Co-chairperson: Senator Mike Connolly

Co-chairperson: Representative Pam Jochum

Overview. The Public Retirement Systems Committee received testimony from various organizations and individuals concerned with public retirement, including individuals involved with management of the various public retirement systems in the state. The Committee elected Senator Connolly and Representative Jochum co-chairpersons. This briefing includes a summary of the proposals and recommendations made by various presenters to the Committee.

MUNICIPAL FIRE AND POLICE RETIREMENT SYSTEM OF IOWA (MFPRSI)

MFPRSI Staff. Mr. Dennis Jacobs, MFPRSI Executive Director, and Mr. Donn Jones, Consulting Actuary, provided background information concerning the retirement system. Mr. Jacobs noted that the fund returned 18.9 percent last fiscal year. Based on the most recent actuarial valuation of the system for FY 2006-2007, the funded status of the system is around 107 percent. In addition, based on this valuation and the current state appropriation to the system, the required contribution rate from cities beginning FY 2008-2009 will be 18.75 percent, down from 25.48 percent for FY 2007-2008. Because of recent good investment returns, Mr. Jacobs indicated that the required contribution rate from the cities will likely fall below 17 percent after the next annual actuarial valuation. The cities, however, are required to contribute a minimum of 17 percent. The system recommends restoration of the full state funding of the benefits committed to in 1977, a change from a fixed dollar amount to a rate of 3.79 percent of compensation.

Iowa League of Cities. The league recommends the following legislative changes:

- Establish a reasonable split of the required contribution rate between members and cities. Remove the 17 percent floor on city contributions.
- Oppose any expansion of benefits unless the cost is borne equitably between the cities and the members.

Iowa State Police Association. The association recommends the following:

- Establish, when funding is available, a maximum pension of 90 percent of final average pay.
- Maintain current contribution amounts and formula.
- Increase the escalator program which provides increases in retirement benefits following retirement.
- Include overtime in a member's earnable compensation for purposes of calculating retirement benefits.

Iowa Professional Firefighters. The association recommends the following:

- Maintain the current mechanism for establishing contribution amounts by employers and employees.
- Increase the pension multiplier applied after 22 years of service to 74 percent with a maximum pension of 90 percent of final average pay contingent upon available funding.
- Establish a presumption that disabilities or deaths due to cancer and infectious diseases are job-related.
- Clarify that cities do not have doctor choice under Code ch. 411.
- Enforce the presumption that disabilities or deaths due to heart or lung diseases are job-related.
- Provide that the cost of the \$100,000 line of duty death benefit be paid from the state general fund and not the retirement fund.
- Increase the escalator program which provides increases in retirement benefits following retirement.

JUDICIAL RETIREMENT SYSTEM

Overview. Mr. David Boyd, State Court Administrator, provided background on the retirement system for judges and summarized the recent results from the most recent actuarial valuation. As of July 1, 2007, the funded ratio of assets to liabilities of the system is around 70 percent and the annual actuarially required contribution rate from the state should be 30.9 percent. The failure of the state to contribute the statutorily required minimum rate of 23.7 percent of covered payroll since FY 2001-2002 has resulted in significant underfunding of the retirement system. The judicial branch will recommend for FY 2008-2009 a contribution to the judicial retirement fund based upon the 30.9 percent contribution rate.

IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (IPERS)

IPERS Staff. Ms. Donna Mueller, Chief Executive Officer (CEO), addressed the Committee and provided an overview of the retirement system and made the following recommendations:

- Allow the retirement system to adjust contribution rates for the regular members of IPERS. The proposal would limit increases or decreases in the total contribution rate to 1/2 percentage point per fiscal year.
- Eliminate bonuses and allowances from the definition of covered wages used to determine contributions to the retirement system and benefits.
- Forego the implementation of benefit changes during FY 2008-2009 while the system upgrades benefits administration technology.
- Evaluate how early retirement incentives may hurt retention of qualified employees, consider whether phased retirement programs or changes in the formula multiplier may be useful incentives to delay retirement, and explore ways to address the lack of a guaranteed cost-of-living adjustment to IPERS monthly benefit.

IPERS Investment Board. Mr. David Creighton, CEO of The Bryton Companies in West Des Moines and Vice Chair of the Investment Board, and Mr. Karl Koch, Chief Investment Officer, addressed the Committee. For FY 2006-2007, the fund earned a 16.29 percent return. The presenters made the following recommendations:

- The investment board does not support any type of social investing strategy or agenda.
- The cap on IPERS investment management expenses should be eliminated. IPERS utilizes performance-based fees and a cap limits the ability to reward excellent portfolio managers.

IPERS Benefit Advisory Committee (BAC). The BAC recommends the following:

- Maintain and preserve IPERS as a defined benefit plan.
- Support granting IPERS the authority to adjust contribution rates when necessary.
- Establish an independent board of trustees for IPERS.

Iowa State Education Association. The association supports the following:

- Grant IPERS the authority to adjust contribution rates on an actuarial basis.
- Study proposals for establishing a permanent cost-of-living benefit for IPERS retirees.
- Establish an independent board of trustees for IPERS.

Iowa League of Cities. The league opposes expansion of benefits until the system is fully funded and urges caution in expanding the membership of IPERS protection occupation class or the creation of new benefits classifications.

School Administrators of Iowa. Change the formula multiplier to 2 percent for each year of employment for all regular members regardless of the number of years of service.

Iowa Hospital Association. Expand the application of the shortened retirement waiting period to all public hospital employees, not just licensed health care professionals.

Iowa State Sheriffs' & Deputies' Association. Consider, subject to a determination of the cost of the proposal, increasing the escalator for between 22 and 30 years of service from the current 1.5 percent per year to 2 percent per year, resulting in a maximum payout of 76 percent for 30 years of service.

Iowa County Attorneys Association. Create a new category in IPERS for county attorneys and assistant county attorneys with benefits matching the benefits provided under the protection occupation classification.

Protection Occupation Classification. Presentations were made recommending that emergency medical services providers, county jailers, Iowa national guard installation security officers, and Polk County attorney special investigators be included in this classification.

Miscellaneous Proposals:

- The Iowa Association of School Business Officials recommends legislation allowing school districts to limit the number of eligible tax-sheltered annuities (authorized under Internal Revenue Code § 403b) offered to school district employees.
- Allow a credit against the full actuarial cost of a buyback of service by a member under IPERS reflective of the amount previously contributed to the system by that member and not refunded to the member.

PEACE OFFICERS' RETIREMENT SYSTEM (PORS)

PORS Staff. Mr. David Heuton, PORS Director of Administrative Services, provided background on the system. Based upon a draft of the most recent actuarial evaluation of the system, the required contribution rate should be 45.84 percent and the unfunded liability of the system is about \$100 million. The system makes the following recommendations for legislative action:

- Modify language governing the medical board to match language provided for MFPRSI.
- Provide that accidental disability benefits cease if the member seeks and obtains another law enforcement position.
- Allow the board of trustees to adopt the actuarial cost method used.
- Increase the state appropriation to the retirement fund by \$5 million per year coupled with a 2 percent annual increase in the state contribution rate to the system until the system is fully funded.

State Police Officers Council, Iowa State Troopers Association, Iowa State Patrol Supervisors' Association. The associations support the proposal to increase state appropriations and the state contribution rate to reach fully funded status. Once the system becomes fully funded, contributions should be determined in a manner consistent with MFPRSI.

Next Meeting. The next meeting is scheduled for Friday, December 7, 2007, in Room 22 of the State Capitol to discuss various proposals concerning public retirement issues.

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